

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2276 - HB 2074**

February 11, 2014

**SUMMARY OF BILL:** Authorizes title pledge and deferred presentment lenders to charge a nonrefundable convenience fee, in addition to any other interest and fees allowed by law, to offset the cost of accepting loan payments by electronic means, and requires them to make available to borrowers the option to make payments directly by check, cash, or money order, without the imposition of the convenience fee.

**ESTIMATED FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- The Department of Financial Institutions will ensure compliance with the provisions of this bill during regular examinations of title pledge and deferred presentment lenders.
- Any regulatory or fiscal impact on the Department will be not significant and can be accommodated within existing resources.

**IMPACT TO COMMERCE:**

**Increase Business Revenue – Exceeds \$71,800**

**Jobs Impact – Any increase in the number of private sector jobs in Tennessee is considered not significant.**

Assumptions:

- According to the Department of Financial Institutions, as of March 31, 2013, the Department regulated 864 title pledge and 1,218 deferred presentment lenders.
- Based on information provided in the Department's 2012 annual report, the average amount of new agreements entered per location is estimated to be \$1,010,032 for title pledge lenders and \$3,570,465 for deferred presentment lenders. It is assumed that, beginning with FY14-15, each title pledge location will have on average \$1,000,000 in new transactions annually, and each deferred presentment location will average \$3,500,000 annually.

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- The total recurring amount of new transactions is estimated to be \$864,000,000 (\$1,000,000 x 864) for title pledge lenders, and \$4,263,000,000 (\$3,500,000 x 1,218) for deferred presentment lenders, for a total of \$5,127,000,000. At least 70 percent, or \$3,588,900,000, of this amount will be received in payments annually.
- At least one percent of total payments, or \$35,889,000, will be made by a credit card, debit card, electronic funds transfer, electronic check, or other electronic means.
- The average actual cost incurred by title pledge and deferred presentment lenders for accepting these types of payments is estimated to be one percent of the amount paid.
- At least 20 percent of title pledge and deferred presentment lenders currently make available the option to make a payment by electronic means and will, upon passage of this bill, impose a convenience fee of one percent.
- The total recurring increase in business revenue is estimated to exceed \$71,778 (\$35,889,000 x 20.0% x 1.0%).
- Any decrease in the quantity demanded of services provided by title pledge and deferred presentment lenders, resulting from imposition of the convenience fee, is estimated to be not significant.
- Any increase in the number of private sector jobs in Tennessee is considered not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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